

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 SP-02 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04

SIL-01 L-02 H-02 DODE-00 PA-01 USIA-06 PRS-01 IO-10

OIC-02 /095 W

----- 041391

P R 211557Z MAR 75

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC PRIORITY 8512

INFO ALL EC CAPITALS 462

C O N F I D E N T I A L SECTION 1 OF 2 EC BRUSSELS 2526

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E.O. 11652: ADS "DECLASS" JAN. 1, 1978

TAGS: PFOR, EFIN, EEC

SUBJECT: ADDITIONAL EC VIEWS REGARDING US-EC MEETING OF FINANCE
MINISTERS

REF: EC BRUSSELS 2406

1. SUMMARY: THE EC FINANCE MINISTERS' PROPOSAL THAT THEY
HAVE AN EXCHANGE OF VIEWS WITH TREASURY SECRETARY SIMON
HAS ELICITED MIXED REACTIONS AMONG EC COMMISSION AND PERM
DEL OFFICIALS HERE. OFFICIALS BELIEVE THE MEETING, IF IT
CAN BE ARRANGED, SHOULD BE INFORMAL WITH A MINIMUM OF
PRESS COVERAGE. NO DECISION HAS BEEN TAKEN ON THE TIMING
AND SCOPE OF THE MEETING AND THE IRISH WANT TO HAVE
FURTHER DISCUSSIONS AMONG THE NINE BEFORE MAKING A
FORMAL PROPOSAL TO THE US. OFFICIALS HERE BELIEVE
THAT THE CURRENT ECONOMIC SITUATION REQUIRES CLOSE
AND FREQUENT US-EC CONSULTATIONS AND CONSEQUENTLY HOPE
A MEETING CAN BE ARRANGED AT A MUTUALLY-CONVENIENT
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TIME, POSSIBLE IN PARIS ON APRIL 9. END SUMMARY.

2. COMMISSION AND PERMDEL OFFICIALS HAVE DESCRIBED TO US THE GENESIS AND PURPOSE OF THE EC FINANCE MINISTERS' PROPOSAL THAT THEY HAVE AN EXCHANGE OF VIEWS WITH TREASURY SECRETARY SIMON. IN INFORMAL DISCUSSION AT THE DUBLIN EUROPEAN COUNCIL THE HEADS OF GOVERNMENT REPORTEDLY INDICATED SERIOUS CONCERN OVER THE WORLD ECONOMIC SITUATION. AN EXCHANGE OF VIEWS BETWEEN EC AND US FINANCE MINISTERS WAS SUGGESTED AS A MEANS OF IMPROVING POLICY COORDINATION AND SHORING UP PUBLIC CONFIDENCE. THE EC FINANCE MINISTERS TOOK UP THIS SUGGESTION AT THEIR RESTRICTED LUNCH PRIOR TO THE COUNCIL MEETING ON MARCH 18. THE MINISTERS REACHED A CONSENSUS THAT THE PRESIDENT OF THE COUNCIL, IRISH FINANCE MINISTER RYAN, SHOULD EXTEND AN INVITATION TO SECRETARY SIMON TO MEET JOINTLY WITH THE NINE AT A MUTUALLY-CONVENIENT DATE. NO DECISION WAS REACHED ON THE SCOPE, OR TIMING, BUT OUR SOURCES BELIEVE THE IDEA WAS TO INVITE SECRETARY SIMON TO HOLD AN INFORMAL EXCHANGE OF VIEWS EITHER BEFORE OR AFTER NEXT EC FINANCE COUNCIL SESSION ON APRIL 21. THE PLACE AND TIME ARE FLEXIBLE, HOWEVER.

3. AS INDICATED IN THE REFTEL, IRISH OFFICIALS HERE SAY THAT FURTHER INTRA-EC DISCUSSIONS ARE NEEDED BEFORE THE SUBSTANTIVE CONTENT OF THE MEETING IS FULLY DEVELOPED. WE ARE TOLD THE PERMDEL AMBASSADORS PLAN TO DISCUSS THE PROPOSED MEETING, PROBABLY ON APRIL 10. THE IRISH HAVE THE CLEAR IMPRESSION THAT A MAIN PURPOSE OF THE MEETING WOULD BE TO ENCOURAGE THE US TO EXPAND ITS ECONOMY AT A FASTER PACE. COMMISSION DIRECTOR GENERAL FOR FINANCIAL AFFAIRS MOSCA TELLS US THAT THE EC IS CONCERNED OVER THE SLACK IN THE US ECONOMY. IT WOULD CONSEQUENTLY BE HELPFUL TO HAVE AN ASSESSMENT OF US ECONOMIC PROSPECTS AND AN EXCHANGE OF VIEWS ON THE WORLDWIDE SITUATION. MOSCA ADDS THAT IT IS IN EVERYBODY'S INTEREST TO EXPAND WORLD TRADE. SUCH AN EXPANSION WOULD EASE THE PRESSURE ON COUNTRIES FACING SERIOUS BALANCE OF PAYMENTS PROBLEMS AND WOULD THEREBY HELP PREVENT

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SUCH COUNTRIES FROM RESORTING TO PROTECTIONIST MEASURES.

4. MOST OFFICIALS HERE CONCEDE THAT THE EC SHOULD FIRST BE ASKING THE FRG TO REFLATE. THEY TELL US, HOWEVER, THAT IN RECENT PRIVATE DISCUSSIONS FRG OFFICIALS HAVE REFUSED TO TAKE ADDITIONAL EXPANSIONARY MEASURES AT THIS TIME. THE FRG WANTS TO WAIT FOR

SEVERAL MONTHS IN ORDER TO EVALUATE THE IMPACT OF ITS PRESENT POLICIES. A DANISH OFFICIAL HERE TELLS US THAT ONE PURPOSE OF THE JOINT MEETING WITH THE US WOULD BE POSSIBLY TO BRING OUTSIDE PRESSURE ON THE GERMANS TO REFLATE MORE RAPIDLY.

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5. COMMISSION FINANCIAL OFFICIALS GENERALLY BELIEVE IT MIGHT BE BEST TO DELAY THE PROPOSED MEETING UNTIL MAY BECAUSE THE US AND EC HAVE JUST HAD AN OPPORTUNITY TO EXCHANGE VIEWS AT THE OECD ECONOMIC POLICY COMMITTEE. BY THE TIME THE COMMUNITY WILL BE IN A BETTER POSITION TO ASSESS WHETHER THE MEMBER STATES IN A SURPLUS SITUATION SHOULD UNDERTAKE A MORE EXPANSIONARY PROGRAM. IN ADDITION, THE US CONGRESS WILL HAVE PASSED AN ECONOMIC PROGRAM WHICH WILL PROVIDE A BETTER IDEA OF US ECONOMIC PROSPECTS.

6. ON THE OTHER HAND, COMMISSION DIRECTOR FOR MONETARY AFFAIRS NASH BELIEVES THE NINE'S PROPOSAL IS ILL-TIMED BECAUSE THE EC MIGHT BECOME ENMESHED IN THE DELICATE

ONGOING, NEGOTIATIONS BETWEEN THE CONGRESS AND
ADMINISTRATION OVER THE US ECONOMIC PROGRAM. NASH
HAS SUGGESTED TO THE COMMISSION THAT THE FINANCE
MINISTERS' PROPOSAL SHOULD BE DEFUSED. INSTEAD OF
DELAYING THE MEETING UNTIL MAY, THE FINANCE MINISTERS
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MIGHT MEET SECRETARY SIMON INFORMALLY ON APRIL 9 IN
PARIS PRIOR TO THE SIGNING OF THE OECD FINANCIAL
SUPPORT FUND. PRESS ATTENTION WOULD BE FOCUSED ON
THE FUND. A MEETING IN EARLY APRIL WOULD ALSO AVOID
BUILDING UP PUBLIC EXPECTATIONS THAT A JOINT MEETING
MIGHT LEAD TO SOME NEW INITIATIVE. NASH SUGGESTS
SUCH A MEETING MIGHT FOCUS ON EC AND US ECONOMIC
PROSPECTS THIS YEAR.

7. COMMENT: MOST OFFICIALS HERE BELIEVE RYAN SPOKE
TOO SOON WHEN HE TOLD THE PRESS THAT THE FOCUS OF
THE PROPOSED MEETING WOULD BE ON THE NEED FOR THE
US TO REFLATE. RYAN'S STATEMENT WAS SIMPLISTIC
AND DID NOT ACCURATELY REFLECT THE FULL BALANCE
OF THE LUCHEON CONVERSATION. OFFICIALS HERE
EMPHASIZE THAT SUCH A MEETING WOULD BE MOST
PRODUCTIVE IF IT WERE A HIGHLY RESTRICTED, INFORMAL
SESSION WITH A MINIMUM OF PRESS ATTENTION. THEY
BELIEVE THE CURRENT ECONOMIC SITUATION, ESPECIALLY
THE RECENT DOWNTURN IN WORLD TRADE, CALLS FOR
FREQUENT, JOINT CONSULTATIONS. THEY FEEL THAT THE PROPOSED
MEETING THEREFORE WARRANTS SERIOUS CONSIDERATION
BY US AUTHORITIES. END COMMENT.
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